

TOROMONT

Annual Report/1974

AR24



**TOROMONT INDUSTRIES LTD.
and Subsidiaries**

**CONSOLIDATED STATEMENT OF OPERATIONS
AND RETAINED EARNINGS**

for the Twelve Months ended June 30, 1974
(with comparative figures for 1973)

	\$000's	
UNAUDITED	1974	1973
Sales: Industrial Refrigeration	\$28,212	\$15,072
Engineered Products	12,954	8,920
Building Products	9,459	7,805
Total Sales	<u>\$50,625</u>	<u>\$31,797</u>
Earnings before undernoted items	<u>3,177</u>	<u>2,665</u>
Provision for income taxes	1,359	1,305
Provision for minority interest in earnings of subsidiaries	14	15
Net earnings for the period	<u>1,804</u>	<u>1,345</u>
Retained earnings beginning of period	1,849	890
Dividends declared — preferred	58	59
— common	446	327
Retained earnings end of period	<u>\$ 3,149</u>	<u>\$ 1,849</u>
Earnings per common share	39.5c	29.0c

NOTE: The financial year end is December 31.

**TOROMONT INDUSTRIES LTD.
Subsidiary Companies**

Industrial Refrigeration

CIMCO Limited
Allen Tank Limited
Happy Air Exchangers (Canada) Limited
Lewis Refrigeration Co.

Engineered Products

Clare Brothers Limited
EI-Met-Parts Division
Viking Pump Company of Canada, Limited

Building Products

Lloyd-Truax Limited
F. B. McFarren, Limited

Head Office

65 Villiers Street
Toronto, Ontario
M5A 3S1

Auditors

Touche Ross & Co.
Chartered Accountants

Bankers

The Mercantile Bank of Canada, Toronto
The Toronto-Dominion Bank, Toronto

Common Shares

Listed on
The Toronto Stock Exchange
Montreal Stock Exchange

Fiscal Agent

McLeod, Young, Weir & Company Limited

General Counsel

Blake, Cassels & Graydon, Toronto
In the United States:
Miller, Anderson, Nash, Yerke & Wiener,
Portland, Oregon.

Transfer Agent and Registrar

Crown Trust Co.
Toronto and Montreal

**TOROMONT
INDUSTRIES LTD.**

**INTERIM REPORT
TO SHAREHOLDERS
SIX MONTHS ENDED JUNE 30, 1974**

To the Shareholders

TOROMONT INDUSTRIES LTD. and Subsidiaries

TOROMONT INDUSTRIES LTD. and Subsidiaries

Financial

Primarily because of the inclusion of the sales of Lewis Refrigeration, our U.S. subsidiary acquired in June 1973, sales in the period increased by 64% to \$26,094,000. Net profits did not keep pace with the sales increase but they did improve to \$665,000, (14.3c per common share) compared with \$453,000, (9.5c per common share) in 1973.

Each of your companies earned a profit in the period but the results of Lewis Refrigeration were below the profit level at which we expect it to perform in the last half of 1974 and in future years.

Dividends

In view of the progress made by your Company during the last four years, your Board recently implemented a regular semi-annual dividend of 5c per common share; a dividend under this policy was paid on July 26, 1974.

Expansion

A 60,000-square foot distribution centre has recently been completed by our subsidiary, Lloyd-Truax Limited, a major producer of wooden doors. This facility will permit the company to consolidate its Wingham operations, to reduce operating costs and to improve service to our customers.

Outlook

Tight money and high interest rates are beginning to effect a slow down in the Canadian economy. However, our backlog of orders is substantial and despite the uncertain economic conditions prevailing in both Canada and the U.S., we believe we will meet our profit plan for 1974 of \$2,-100,000 or 45c per common share.

S. J. Sinclair
Chairman of the Board

R. A. Scoon
President

August 21, 1974

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the Six Months ended June 30, 1974
(with comparative figures for 1973)

UNAUDITED	1974	1973
Sales: Industrial Refrigeration	\$14,848	\$ 8,763
Engineered Products	6,464	3,380
Building Products	4,782	3,800
Total Sales	\$26,094	\$15,943
Earnings before undernoted items	\$ 1,246	\$ 975
Provision for income taxes	576	515
Provision for minority interest in earnings of subsidiaries	5	7
Net earnings for the period	665	453
Retained earnings beginning of period	2,736	1,536
Dividends declared — preferred	29	30
— common	223	110
Retained earnings end of period	\$ 3,149	\$ 1,849
Earnings per common share: (note) 14.3c		9.5c

NOTE: Based on 4,453,769 common shares outstanding and after provision for dividends on 89,725 preferred shares, series A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Six Months ended June 30, 1974
(with comparative figures for 1973)

UNAUDITED	1974	1973
Source of funds		
From operations:		
Net earnings for the period	\$ 665	\$ 453
Adjustments for charges (credits) not involving use of funds:		
Depreciation and amortization	236	185
Deferred income taxes	18	—
Income tax recoveries applied against goodwill	37	—
	956	638
Increase in long-term debt	543	—
Sundry items	49	67
	1,548	705
Application of funds		
Additions to fixed assets	266	653
Acquisition of additional shares of a subsidiary	80	—
Goodwill on acquisition of subsidiaries	24	—
Dividends declared	252	140
Redemption of preference shares of a subsidiary	18	18
	640	811
Increase (decrease) in working capital	908	(106)
Working capital at beginning of period	5,227	4,315
Working capital at end of period	\$ 6,135	\$ 4,209

TOROMONT INDUSTRIAL HOLDINGS LTD.

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and a Special General Meeting of the Shareholders of Toromont Industrial Holdings Ltd. (hereinafter called the "Company") will be held in the Civic Ballroom of the Four Seasons-Sheraton Hotel, Toronto, Ontario, on the 5th day of April, 1974 at the hour of 11 :00 a.m., for the following purposes :

- (a) To receive the report of the Directors and to receive and, if thought fit, approve the consolidated financial statements of the Company and its subsidiary companies for the fiscal year ended December 31, 1973, together with the report of the auditors thereon ;
- (b) To consider and, if thought fit, sanction, with or without variation, By-Law No. 17 of the Company being a by-law changing the name of the Company to Toromont Industries Ltd. ;
- (c) To consider and, if thought fit, sanction, with or without variation, By-Law No. 18 of the Company being a by-law increasing the authorized number of directors of the Company from nine to eleven, of whom six shall constitute a quorum ;
- (d) To elect directors ;
- (e) To appoint auditors and to authorize the directors to fix their remuneration ; and,
- (f) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 8th day of March, 1974.

F. KRUBERG,
Secretary

NOTE:

If you are unable to attend the meeting in person please date and sign the enclosed form of proxy and return it in the envelope provided for that purpose.

A copy of the Annual Report which contains the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1973, a copy of an information circular and a form of proxy accompany this notice.

Copies of By-Laws Nos. 17 and 18 will be available at the meeting.

TOROMONT INDUSTRIAL HOLDINGS LTD.

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of Toromont Industrial Holdings Ltd. (the "Company") for use at the Annual and a Special General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting and at any adjournment or adjournments thereof. The solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO** by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company at least 48 hours before the time of the meeting.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction **SUCH SHARES WILL BE VOTED FOR THE SANCTION OF BY-LAWS NOS. 17 AND 18, FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE AUDITORS' REPORT, AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR OR WITHHELD FROM VOTING IF SO INDICATED ON THE FORM OF PROXY. THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY** upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

The Company has outstanding 4,453,769 common shares without par value and each of such shares carries the right to one vote at the meeting. To the knowledge of the directors and officers of the Company, no person owns more than 10% of the Company's voting shares, except as stated below.

GBC Capital Limited and Dominion Scottish Investments Ltd., a company in which GBC Capital Limited owns in excess of 97% of the outstanding common shares, hold a total of 640,800 shares in the capital stock of the Company representing 14.4% of the outstanding shares. Mr. N. B. Ivory, a nominee director, is an officer and director of GBC Capital Limited and an officer of Dominion Scottish Investments Ltd.

BY-LAWS NOS. 17 AND 18

The special purposes for which this meeting is called are to consider, and if thought fit, to sanction, with or without variation, By-Law No. 17 passed by the directors on June 12, 1973 and By-Law No. 18 passed by the directors on February 28, 1974.

By-Law No. 17 changes the name of the Company to Toromont Industries Ltd., a name which the directors consider more appropriate to describe the current operations of the Company, and authorizes an application for Supplementary Letters Patent to confirm the change in the name. The change of name will not be effective until

the by-law has been sanctioned by at least two-thirds of the votes cast at the meeting and the issue of Supplementary Letters Patent.

By-Law No. 18 increases the number of directors of the Company from nine to eleven of whom six shall constitute a quorum and will not be effective until sanctioned by at least two-thirds of the votes cast at the meeting.

The above descriptions of By-Laws Nos. 17 and 18 do not purport to be complete and reference is made to the complete texts of the said by-laws which will be available at the meeting.

ELECTION OF DIRECTORS

Subject to By-Law No. 18 being sanctioned by the shareholders, the Board will consist of eleven directors of whom six will constitute a quorum. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are listed below. The management is not presently aware that any such nominee would be unwilling to serve as a director if elected. In the event that prior to the meeting any vacancies occur in the slate of nominees listed below the persons named in the enclosed form of proxy reserve the right to vote in their discretion for other nominees as directors. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table sets out the name of each of the persons proposed to be nominated for election as a director of the Company ; all positions and offices in the Company now held by him, his principal occupation, the year in which he was first elected a director, and the approximate number of shares of each class of equity shares of the Company that he has advised are beneficially owned by him, directly or indirectly.

<u>Name and principal occupation</u>	<u>Year first became a director</u>	<u>Common shares beneficially owned directly or indirectly</u>
P. F. Fenton, Jr., Boston, Mass. President, Studley, Shupert & Co., Inc.	1973	100
D. E. Gillespie, Toronto Consultant	1972	23,000
N. B. Ivory, Montreal President, Pembroke Management Ltd.	—	100
B. B. Lockwood, Toronto Partner of Blake, Cassels & Graydon	1971	10,100
A. Marcil, Montreal President, Marcil Mortgage Corporation	1965	19,500
W. A. McKenzie, London, Ont. President, Admac Holdings Ltd.	1973	45,000
S. R. Rudd, Toronto President, HCR Adviser Ltd., Adviser to Heitman Canadian Realty Investors	—	500
R. A. Scoon, Toronto President of the Company	1971	163,000
R. A. Sinclair, Columbus, Ga. Senior Vice-President and Director, Royal Crown Cola Co.	1973	4,100
S. J. Sinclair, Toronto Chairman of the Board of Directors and Chief Executive Officer of the Company	1969	434,200
N. G. Van Nest, Toronto President, Wisener and Partners Company Limited	1969	104,710

NOTES :

- (1) Mr. N. B. Ivory has been President of Pembroke Management Ltd., Montreal, Quebec, for the past five years.
- (2) Mr. S. R. Rudd has been President of HCR Adviser Ltd., Adviser to Heitman Canadian Realty Investors, Toronto, Ontario, since June, 1973. Prior to this, he was Manager, Pension Investments, Canadian Pacific Limited, from 1968 to 1973.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended December 31, 1973 the aggregate remuneration paid or payable by the Company:

- (a) to the directors of the Company as such was \$8,000, and
- (b) to the officers of the Company as such was \$239,000.

No remuneration was paid or payable by the subsidiaries of the Company to any such directors or officers.

The estimated aggregate cost to the Company in 1973 of all retirement benefits proposed to be paid in the event of retirement at normal retirement age by the Company to the directors and officers of the Company was \$8,000.

INCENTIVE STOCK PURCHASE PLAN

During 1973, the right to purchase 117,500 common shares in the capital stock of the Company was granted to a director and senior officers of the Company and subsidiary companies.

Details of the shares purchased under the Incentive Stock Purchase Plan during the past year by such director and officers of the Company and its subsidiaries are as follows:

Date right to purchase was granted and exercised	Number of Shares Purchased By		Price Per Share	Price range of shares on Toronto Stock Exchange in 30 day period preceding granting of option
	Director and Officers of the Company	Officers of the Company or its subsidiaries		
April 12, 1973	42,500	57,500	\$3.15	\$2.90—\$3.25
August 14, 1973	—	17,500	\$2.70	\$2.50—\$2.90

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Touche Ross & Co., Chartered Accountants, Toronto, Ontario, who have been auditors of the Company for more than five years, as auditors of the Company to hold office until the next Annual Meeting of Shareholders.

Dated as of March 8th, 1974.

TOROMONT

INDUSTRIES LTD.

Head Office: Toronto, Canada
Phone (416) 465-3518

Financial Highlights

	1974	1973
Sales		
Industrial Refrigeration	\$34,340,000	22,127,000
Engineered Products	12,627,000	9,870,000
Building Products	8,869,000	8,477,000
	55,836,000	40,474,000
Net Earnings	2,038,000	1,592,000
Per Share of Common Stock		
Net Earnings	44.3¢	34.7¢
Dividends	10¢	7.5¢
Equity	\$2.46	\$2.12
Working Capital	6,134,000	5,227,000
Return on Common Shareholders Equity	21.0%	19.5%

Toromont has extensive manufacturing operations in Canada and the United States and sales to international markets. The major area of operation and growth is the industrial refrigeration field. Four of the Company's operating units, CIMCO, Lewis Refrigeration, Allen Tank and Happy Air Exchangers, serve the refrigeration engineering, contracting and equipment requirements of the food processing, petrochemical and recreation industries—all substantial growth markets.

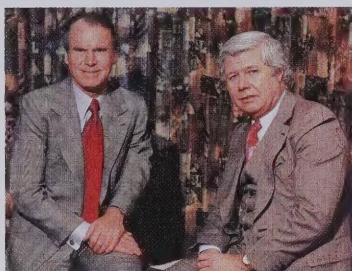
The Annual Meeting of the Shareholders of the Company will be held in the Confederation Room of the Royal York Hotel, Toronto, at 11:00 a.m. on April 11, 1975.

TOROMONT

INDUSTRIES LTD.

and subsidiaries

To the Shareholders



Financial

Toromont enjoyed a good year in 1974. Sales reached a new record of \$55.8 million with a net profit of \$2.038 million (44.3¢ per common share). This compared with sales in 1973 of \$40.5 million and net profits of \$1.592 million (34.7¢ per common share). The increase in profits from 1973 to 1974 was 28%.

Part of the reason for the sharp increase in sales in 1974 was the inclusion of the results of our U.S. subsidiary, Lewis Refrigeration Co., for a full twelve months in 1974 compared with only seven months in 1973. On a comparable basis, overall sales increased by 26.6% over 1973.

There has been considerable publicity about the impact of inflation on the reporting of corporate profits. In the U.S., much attention has been given to the effect of the adoption of the LIFO method of inventory valuation by many companies with its resultant savings in income taxes. In Canada, the LIFO method is not permitted in the reporting of income for tax purposes. We estimate that the inventory inflation, included in our pre tax profits of \$3.813 million, amounted to approximately \$417,000 or 11%. The bulk of these inventory "profits" resulted from increases in steel prices.

Our progress, evidenced by our financial results, was attained in the face of difficulties shared by a large proportion of North American corporations: serious material shortages forced us to carry substantially higher inventories, and rapidly escalating prices caused considerable additional expense. The easing of these conditions in the fourth quarter of 1974 leads us to expect a return to a more normal situation in 1975.

Highlights

Industrial Refrigeration

Sales reached a new high of \$34.3 million and Toromont continues as the largest single force in the industrial refrigeration industry in North America.

A concerted organizational effort was undertaken to rationalize the engineering, manufacturing and marketing activities of our Canadian and U.S. refrigeration operations to the ultimate benefit of our customers and our shareholders.

In keeping with our goals of building for long term profitable growth, we increased our U.S. technical staff to prepare for a selective increase in market penetration. New product and systems development was initiated to further strengthen our position in the industrial refrigeration market.

Several new and promising systems were introduced. In particular, the System 700 IQF (Individually Quick Frozen) freezer was well received by the market as evidenced by the sale of nine major systems within two months of introduction.

The well known A/S Atlas (of Denmark) slice ice machine, for which the North American manufacturing and marketing rights were acquired in 1973, began to show its potential, as 19 units were sold during the year.

The profits of our Canadian operations reached a new high but the results of our U.S. company were disappointing. Going into 1975 with improvements in organization and a record backlog of \$9.0 million, our industrial refrigeration activities in the U.S. should begin to demonstrate their true profit potential.

Engineered Products

1974 was the fifth year of increased sales and profits and reflects the reputation and market position which we enjoy in various specialized fields.

We successfully introduced a new line of oil furnaces which should expand our base for profitable growth in the future.

Our steel lamination division operated at capacity throughout the year and set new highs in both sales and earnings. Additional land adjacent to our present plant was acquired during the year in preparation for a major expansion of our facilities in 1975.

Our pump operation celebrated its 50th anniversary by posting its best year ever in 1974. During the year we commenced an expansion program by leasing space in Toronto to house the head office and marketing staff, some finished goods assembly and a centralized warehouse.

Building Products

1974 saw an end to the vigorous growth of the home building industry in Canada which had lasted for more than three years.

The sudden slump in housing starts in early summer of 1974, combined with wide fluctuations in raw lumber prices adversely affected the results of our wooden door unit.

In our specialty burned clay building and paving brick operation we had a profitable year although earnings were down from 1973.

Dividends

In view of the progress made by your company over the last four years, your Board implemented a regular semi-annual dividend of 5¢ per common share during 1974.

Outlook

The economies of Canada and the U.S. turned down in the third quarter of 1974 and there is not, at this date, any clear indication of how long this recession may continue. Despite the uncertain economic prospects for North America and the world at large, your management believes that Toromont is in a position to continue its profitable growth. Our sincere thanks to our employees whose extra efforts contributed so much to our progress in 1974.

S. J. Sinclair

S. J. Sinclair
Chairman of the Board

R. A. Scoon

R. A. Scoon
President

March 14, 1975.

Review of Operations

TOROMONT'S Industrial Refrigeration operations in Canada and the United States are the largest industrial refrigeration units in their respective countries, and specialize in the design, manufacture, installation and servicing of refrigeration systems for the food processing, petrochemical and recreational industries.

In the United States, new offices were opened in Los Angeles, California and Tulsa, Oklahoma, to provide better coverage of the growing industrial refrigeration markets in these areas. Our operation in Houston, Texas was expanded and plans were announced for the construction of a new office building in the Seattle area to house the corporate, engineering, marketing and financial personnel as well as the export and western division staffs.

Product development activities further strengthened Toromont's position as the leader in industrial refrigeration. Stemming from the drive to conserve energy, the RWH system was introduced early in the year. This system employs waste heat to produce refrigeration. Although based on long known and proven concepts, it includes many innovations designed to meet today's standards and demands. The initial capital cost of this system is higher than mechanical refrigeration systems using compressors, but its subsequent operating and maintenance costs are minimal. Where waste heat is available, the system will pay for itself rapidly. Considerable interest in RWH has been expressed; the first system will be installed at the Columbia, South Carolina plant of Hercules, Inc. This 1500 ton refrigeration system will chill Glycol brine to 30°F. and requires 36,000



LPG Floating storage facility – Atlantic Richfield Indonesia, Inc.
Refrigeration System by Lewis Refrigeration Co.

This floating Liquid Petroleum Gas Terminal is the first of its kind – with far reaching potential in a time of world energy shortages. Its purpose is to refrigerate and store gas which normally accompanies liquid petroleum. Presently, this gas is burned off at drill sites because of the unfeasibility of its recovery and utilization as a primary energy source. With the use of such holding facilities as the LPG Terminal, secondary energy sources now represent practical economic possibilities.

pounds of waste steam per hour. The RWH system is available in sizes ranging from 200 tons to 5000 tons of refrigeration and can provide refrigeration to -50°F.

The second major product introduced in 1974 was the IQF (Individually Quick Frozen) Freezing System 700. Equally efficient for fruits and vegetables as well as other food products, this system saves 20% in energy and in floor space. The System 700 is the result of experience gained in over 15 years of IQF Freezing System design and manufacture and underlines Toromont's position as the world's leader in food freezing systems. This unique two belt system incorporates many of the basic fluidization principles employed in more than 450 IQF freezers installed throughout the world. This new system was announced to the industry in

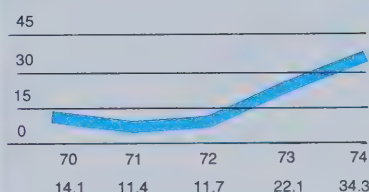
November 1974 and within two months of its introduction, 9 major systems had been sold in Canada, United States and Europe.

The Atlas Slice Ice Machines, for which the North American manufacturing and sales rights were acquired in 1973, were manufactured in our facilities. Nineteen units were sold during the year for use in the fishing industry.

To provide our shareholders with a better understanding of the complexity of major projects undertaken by Toromont's industrial refrigeration units, we have listed a few of the interesting sales made during the year.

Industrial Refrigeration

Sales
(Millions of Dollars)



Cimco Limited

Halifax, Nova Scotia
Montreal, Quebec
Ottawa, Ontario
Toronto, Ontario
London, Ontario
Winnipeg, Manitoba
Regina, Saskatchewan
Saskatoon, Saskatchewan
Calgary, Alberta
Edmonton, Alberta
Vancouver, British Columbia

Allen Tank Limited

London, Ontario
Scarborough, Ontario

Happy Air Exchangers (Canada) Ltd.

London, Ontario

Ideal Welding

Scarborough, Ontario

Lewis Refrigeration Co.

Atlanta, Georgia
Houston, Texas
Los Angeles, California
Malden, Massachusetts
Minneapolis, Minnesota
Portland, Oregon
Tulsa, Oklahoma
Woodinville, Washington
Norwich, England
Richmond, British Columbia

1. Atlantic Richfield/Indonesia's floating LPG Terminal, now under construction at Concrete Technology Corporation in Tacoma, Washington, uses a concrete barge 460 feet long. The 12 steel tanks installed on the barge will have a capacity to store 375,000 barrels of LPG. This LPG is received on the barge at 115°F. where it is cooled to approximately -50°F. and condensed so that it can be transferred to tankers while anchored in the Sea of Java near Arco's Wells.

This will be the world's largest packaged refrigeration system and is being built to meet rigid American Petroleum Institute and American Bureau of Shipping standards. When completed, the package will be approximately 60 feet high, 40 feet wide, 100 feet long and will require a crane lift of 450 tons to place it on board the floating terminal. The system is monitored by a computer and operates automatically to maintain cargo pressure and temperature within its design limits.

2. A system utilizing three 1200 HP gas turbine driven screw compressors for an LPG storage tank has been designed for use in the North Sea area. This system chills high ethane content LPG to approximately -50°F. for a land-based atmospheric pressure storage tank.

3. Your company is supplying the refrigeration systems for use in the far east, for 8 synthetic ammonia manufacturing plants. Each of these has an atmospheric storage tank which requires a refrigeration system consisting of a 200 HP motor driving two multi-cylinder compressors, an ammonia condensor, a high pressure ammonia receiver and refrigerant intercooler. It is assembled on a structural steel skid, and designed for outdoor operation in areas with extreme weather conditions.

4. A major breakthrough in U.S. brewery refrigeration system design was made when a large new brewery in upstate New York purchased five helical screw compressor systems. A similar unit is scheduled for installation in their Milwaukee plant.

5. In New Hampshire, we designed and fabricated a 900 HP LPG liquefaction and condensing system for SEA 3. This cascade system supplies the necessary refrigeration for an atmospheric pressure 400,000 barrel LPG terminal.

6. A major United States utility purchased 2 — 150 HP Unipak Systems to maintain cavern pressure and recover boil-off vapors from an underground LPG storage cavern.

7. Two of the many ice rinks sold were the first speed skating oval in North America in Lethbridge, Alberta (for the 1975 Winter Games) and a pleasure skating rink at the base of the 1800 ft. CN Communications Tower in Toronto.

8. We supplied the first major modern IQF freezing tunnel and cold storage facility in Thailand and the largest cold storage warehouse in Australia.

9. Your company sold fifteen IQF freezing tunnels for use in Europe, Iceland, the U.S.S.R. and the Far East.

10. Several contracts were completed for General Foods at Hoboken, New Jersey; Houston, Texas; and Montreal, Quebec.

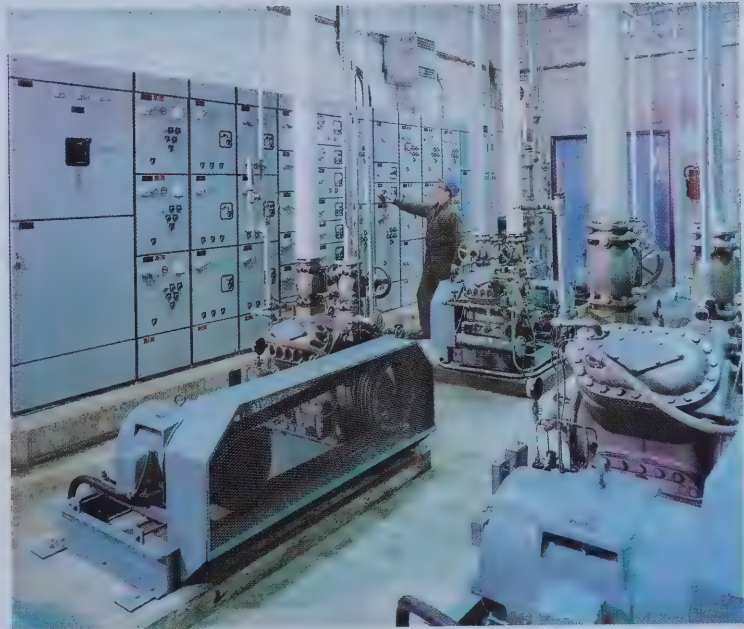
11. The refrigeration system installed for Twin Cities Co-operative Dairies in Halifax, N.S. uses four screw compressor packages, making it the largest installation of its type in Canada.

Lowell Gas Company, Lowell, Massachusetts – Purchaser & User. Lewis Screw Compressor Unipak system, trailer mounted with two propane fueled engines, 190 HP and 305 HP, driving two Screw Compressors cooling 7,000 gallons per hour of LPG from plus 40 dF to minus 44 dF, air cooled condensing.



Associated Freezers of Canada Ltd. new 130,000 square foot cold storage facility, Steeles Avenue, Toronto, Ontario.

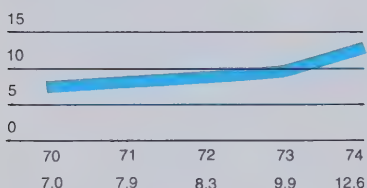
Low pressure receiver and pumping system for liquid refrigerant.



View of some of the high stage compressors and motor control centre.

Engineered Products

Sales
(Millions of Dollars)



EI-Met-Parts Division of Toromont Industries Ltd.
Dundas, Ontario

Clare Brothers Limited
Cambridge, Ontario

Viking Pump Company of Canada, Limited
Toronto, Ontario.
Windsor, Ontario.

In 1974, the engineered products group produced record sales and earnings. This fifth straight year of progress reflects the reputation each of our companies has in its specialized field.

TOROMONT'S EI-Met-Parts Division is Canada's largest independent manufacturer of steel laminations and wound electric cores which are sold to the electrical and electronics industries and are included as basic components in the production of transformers, motors, fluorescent and mercury lighting ballasts. The ability to meet the stringent quality demands of the electrical and electronics industries has played a major part in establishing EI-Met as the leader in its field.

Additional land adjacent to the present site has been acquired in preparation for a major plant expansion.

During 1974 we operated at capacity yielding both record sales and earnings.

TOROMONT manufactures and distributes domestic gas and oil heating furnaces and distributes domestic air conditioning units through an extensive dealer network.

The furnaces under the "Clare Brothers" brand name are sold principally to the replacement market and thus sales were not affected significantly by the current slump in new home construction. The product development program commenced a few years

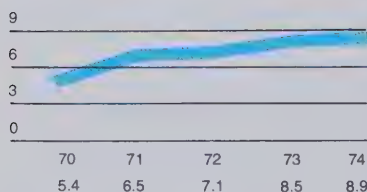
ago, has culminated in the introduction of a new line of oil furnaces.

TOROMONT'S pump operations set a new record in both sales and profits in 1974. This unit is a major manufacturer of pumps sold to the petroleum, industrial, chemical process, marine and refrigeration industries for transfer of fluids.

During 1974, we commenced an expansion program for this unit by leasing space in Toronto to house the head office and marketing staff, some finished goods assembly and warehousing operations. The manufacturing facility will remain in Windsor, Ontario.

Building Products

Sales
(Millions of Dollars)



Lloyd-Truax Limited
Walkerton, Ontario
Wingham, Ontario
Toronto, Ontario

F. B. McFarren Limited
Streetsville, Ontario

1974 saw an end to the vigorous growth of the home building industry, which had lasted for more than three years. We expect the current depressed conditions to improve towards the latter part of 1975.

TOROMONT'S wooden door unit manufactures a complete line of interior and exterior doors for sale across Canada. Manufacturing facilities are located in Wingham and Walkerton, Ontario.

The sharp drop in housing starts in the early summer of 1974, combined with wide fluctuations in raw lumber prices, adversely affected this unit's operating results. However, we have maintained our share of the Canadian market in the face of severe competition and have taken steps to strengthen our operations with the completion of a 60,000 square foot addition to the Wingham plant.

TOROMONT manufactures specialty burned clay building and paving bricks, for distribution in the central Ontario area. The manufacturing plant and shale quarry are situated on a 61 acre site in Mississauga, Ontario.

This unit made a worthwhile contribution to earnings despite the downturn in housing starts in Ontario. Its reputation for quality building and paving bricks enabled it to obtain contracts such as the Peterborough Square development, North Western Hospital and the new C.I.L. complex in Willowdale.

5 Year Review

Total Sales

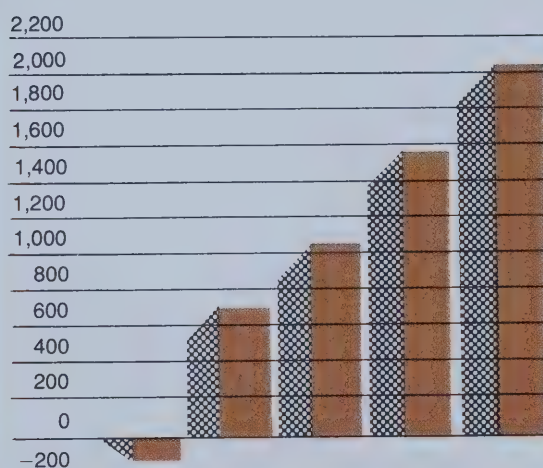
In millions of \$



1970	1971	1972	1973	1974
26.5	25.8	27.1	40.5	55.8

Net earnings after tax

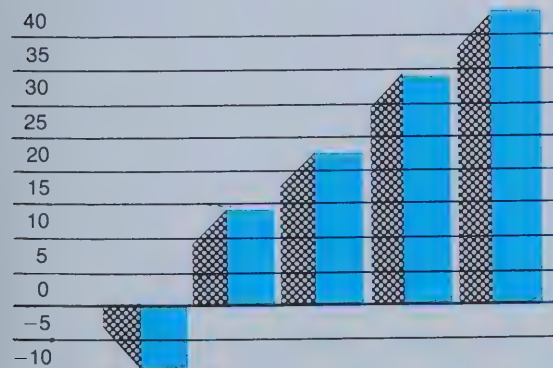
In thousands of \$ Before extraordinary items



1970	1971	1972	1973	1974
(117)	692	1,055	1,592	2,038

Earnings per common share

cents Before extraordinary items



1970	1971	1972	1973	1974
(9.2)	14.6	23.0	34.7	44.3

Net earnings as a percentage of common shareholders' equity

% Before extraordinary items



1970	1971	1972	1973	1974
(5.8)	10.2	13.8	19.5	21.0

TOROMONT

INDUSTRIES LTD.

(Incorporated under the
Canada Corporations Act)
and subsidiaries

(Thousands of dollars)

December 31

Consolidated Balance Sheet

	1974	1973
Assets		
Current assets		
Cash	\$ 167	\$ 1,154
Accounts receivable	10,398	8,468
Inventories, at the lower of cost or net realizable value	10,502	6,924
Prepaid expenses	174	244
Total current assets	21,241	16,790
Notes receivable and other assets (Note 2)	1,314	1,453
Fixed assets		
Buildings and equipment, at cost	10,746	9,789
Less accumulated depreciation	5,982	5,828
	4,764	3,961
Land, at cost	503	313
	5,267	4,274
Goodwill (Notes 1 and 7)	2,564	2,688
	\$30,386	\$25,205

On behalf of the Board
S. J. Sinclair, Director
N. G. Van Nest, Director

(Thousands of dollars)

December 31

1974 1973

Liabilities

Current liabilities

Bank indebtedness, secured	\$ 5,324	\$ 3,502
Accounts payable	7,250	7,105
Dividends payable	237	237
Billings in excess of costs on contracts in progress	1,241	259
Income taxes payable	469	297
Current portion of long-term debt	586	163
Total current liabilities	15,107	11,563
Long-term debt not maturing within one year (Note 3)	2,606	2,517
Deferred income taxes	590	509
Minority interest in subsidiaries	184	277
Total liabilities	18,487	14,866

Shareholders' Equity

Capital stock (Note 4)	7,243	7,217
Contributed surplus	386	386
Retained earnings	4,270	2,736
Total shareholders' equity	11,899	10,339
	\$30,386	\$25,205

TOROMONT

INDUSTRIES LTD.

(Incorporated under the
Canada Corporations Act)
and subsidiaries

(Thousands of dollars)

Year ended December 31

Consolidated Statement of Earnings

	1974	1973
Sales		
Industrial refrigeration	\$34,340	\$22,127
Engineered products	12,627	9,870
Building products	8,869	8,477
Total sales	55,836	40,474
Costs and expenses		
Cost of sales	42,631	31,130
Selling, general and administrative expenses	8,651	6,084
Interest on long-term debt	200	150
Other interest	541	204
	52,023	37,568
Earnings before undernoted items	3,813	2,906
Provision for income taxes		
Current	1,684	1,174
Deferred	81	124
	1,765	1,298
Earnings before minority interest	2,048	1,608
Minority interest in net earnings of subsidiaries	10	16
Net earnings for the year	\$ 2,038	\$ 1,592
Earnings per common share (Note 6)	44.3¢	34.7¢

(Thousands of dollars)

Year ended December 31

	1974	1973
Balance at beginning of year	\$ 2,736	\$ 1,536
Net earnings for the year	2,038	1,592
	4,774	3,128
Dividends declared		
Preferred	58	59
Common — 10.0¢ per share (1973, 7.5¢ per share)	446	333
	504	392
Balance at end of year	\$ 4,270	\$ 2,736

Consolidated Statement of Retained Earnings

The Shareholders,
Toromont Industries Ltd.

We have examined the consolidated balance sheet of Toromont Industries Ltd. and its subsidiaries as at December 31, 1974, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at December 31, 1974, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Toronto, Ontario,
February 21, 1975.

Auditors' Report

TOROMONT

INDUSTRIES LTD.

and Subsidiaries

(Thousands of dollars)

Year ended December 31

Consolidated Statement of Changes in Financial Position

	1974	1973
Source of funds		
From operations		
Net earnings for the year	\$ 2,038	\$ 1,592
Adjustments for charges (credits) not involving use of funds		
Depreciation and amortization	478	442
Deferred income taxes	81	124
Income tax recoveries applied against goodwill (Note 7)	149	40
Deferred pension charges	87	—
	2,833	2,198
Increase in long-term debt	89	2,321
	2,922	4,519
Application of funds		
Additions to fixed assets	1,447	1,813
Goodwill on acquisition of shares of subsidiaries	25	1,368
Dividends declared	504	392
Redemption of preference shares of a subsidiary	36	36
Sundry items	3	(2)
	2,015	3,607
Increase in working capital	907	912
Working capital at beginning of year	5,227	4,315
Working capital at end of year	\$ 6,134	\$ 5,227

Notes to Consolidated Financial Statements

December 31, 1974

1. Summary of significant accounting policies

(a) Basis of consolidation

The accompanying financial statements consolidate the accounts of all subsidiary companies which, with the following exceptions, are wholly-owned:

CIMCO Limited – 99.9% of common shares and 98.1% of Class “A” shares owned
Lloyd-Truax Limited – \$181,000 non-voting preference shares owned by minority shareholders.

(b) Foreign exchange

The accounts of the United States subsidiaries have been translated into Canadian dollars at par, which approximates the rate of exchange prevailing during the year.

(c) Fixed assets and depreciation

Additions to fixed assets are recorded at cost. The assets of the Industrial Refrigeration group of companies are being depreciated on the straight-line basis, and those of the remaining companies substantially on the diminishing balance basis, at rates in each case which are designed to write off the assets over their estimated useful lives.

(d) Contracting activities

The companies engaged in contracting activities record sales and cost of sales on design and installation contracts on the completed contract method, based on substantial technical completion.

(e) Goodwill

Goodwill arising on the acquisition of subsidiaries and originally recorded at cost, is considered to have continuing value in excess of book value and accordingly is not presently being amortized, except as indicated in Note 7.

(f) Income taxes

The companies follow the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in deferred taxes.

(g) Pension plans

Pension plans maintained by the Company and its subsidiaries are fully funded.

2. Notes receivable and other assets

	1974	1973
Notes receivable from employees (Note 4)	\$ 604,000	\$ 600,000
Bills and mortgages not currently due	153,000	169,000
Cash surrender value of life insurance policies	83,000	75,000
Investments, at cost	384,000	408,000
Other items	90,000	201,000
	\$1,314,000	\$1,453,000

3. Long-term debt

	1974	1973
Term bank loans (secured)	\$2,440,000	\$1,800,000
5% unsecured debentures, repayable \$6,490 quarterly	128,000	155,000
Mortgage loans, repayable in equal monthly instalments with interest at 6½% to 8¾%, maturing 1981	191,000	212,000
6½% notes, maturing \$30,000 annually	120,000	150,000
Non-interest bearing notes maturing in two equal instalments December 31, 1976 and 1977	167,000	250,000
Sundry loans	146,000	113,000
	3,192,000	2,680,000
Less instalments due within one year	586,000	163,000
	\$2,606,000	\$2,517,000

4. Capital Stock

(a) The authorized and issued shares of capital stock are as follows:

Authorized
739,425 preferred shares, par value \$10 each, issuable in series
10,000,000 common shares without par value

and subsidiaries

Notes to Consolidated Financial Statements

December 31, 1974

Issued and outstanding	1974	1973
89,425 6½% cumulative redeemable convertible preferred shares, Series "A" (1973, 89,725 shares)	\$ 894,000	\$ 897,000
4,466,519 common shares (1973, 4,453,769 shares)	6,349,000	6,320,000
	<u>\$7,243,000</u>	<u>\$7,217,000</u>

The preferred shares, Series "A", are convertible into common shares of the Company as follows:

up to July 14, 1975 – 5 common shares for 2 preferred shares
 July 15, 1975 to July 14, 1979 – 2 common shares for 1 preferred share

The preferred shares are redeemable at par value plus a premium of 3% until July 14, 1977, 2% to July 14, 1980 and 1% thereafter.

(b) During the year the Company purchased for cancellation 200 of its outstanding preferred shares, Series "A".

Under the conversion privileges granted to preferred shareholders, 100 preferred shares, Series "A" were converted to 250 common shares during the year.

(c) During the year, additional common shares were issued under the Company's Incentive Stock Purchase Plan for executives of the Company and its subsidiaries, as follows:

2,500 shares for \$3.10 per share	\$ 7,750
10,000 shares for \$2.00 per share	20,000
<u>12,500</u>	<u>\$27,750</u>

The prices per share shown above were the market prices at the time of issue. The consideration for the issue of these shares is evidenced by promissory notes, repayable in varying amounts annually until 1984, the remaining aggregate balance of which is

\$604,000 (including \$271,000 due from officers of the Company).

(d) At December 31, 1974 common shares of the Company have been reserved for future issuance, as follows:

	Shares
Under conversion privileges granted to the holders of preferred shares, Series "A" – maximum common shares issuable	223,562
Under conversion privileges related to promissory notes, which are convertible into common shares until December 31, 1977 at \$6.00 to \$7.00 per share	25,796
Under the Incentive Stock Purchase Plan	1,250
Total	250,608

5. Statutory information

Aggregate remuneration of directors and officers of the Company was as follows:

1974		1973	
11	3	9	3
Directors		Officers	
(2 officers were also directors)		(2 officers were also directors)	

Remuneration	\$12,000	\$262,000	\$8,000	\$239,000
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6. Earnings per common share

Fully diluted earnings per common share have not been shown, as the dilutive effect would not be material in either year.

7. Income taxes and goodwill

At the date of acquisition of Lewis Refrigeration Co., that company and its subsidiaries had available losses for income tax purposes. The tax benefit from these losses is being credited to goodwill as realized. The amount realized and credited to goodwill in 1974 was \$149,000, leaving a balance of approximately \$450,000 for future years.

8. Comparative operating results

97.6% of the shares of Lewis Refrigeration Co. were acquired in 1973, and the remainder in 1974. The operating results of this company and its subsidiaries have been included in the consolidated statement of earnings for twelve months in 1974 and seven months in 1973.

9. Commitment

By the terms of an agreement with the minority preference shareholders of Lloyd-Truax Limited, the Company has undertaken to cause that subsidiary to redeem its preference shares at their par value in equal quarterly instalments to 1980. At December 31, 1974, preference shares having an aggregate par value of \$181,000 were outstanding.

10. Legal actions

The Company and its subsidiary CIMCO Limited, have instituted legal actions against certain parties involved in the sale of the common shares of CIMCO Limited to Toromont in April, 1969, claiming damages and recovery of losses totalling approximately \$4,000,000.

As at February 21, 1975 the trial of the action against the former auditors of CIMCO Limited was in progress.

11. Change of name

By virtue of Supplementary Letters Patent dated April 18, 1974, the Company's name was changed from Toromont Industrial Holdings Ltd., to Toromont Industries Ltd.

12. Comparative figures

Certain 1973 comparative figures have been reclassified to conform with the 1974 statement presentation.

Corporate Directory

The Board of Directors

P. F. Fenton, Jr., Boston, Mass.
Chairman of the Board
Studley, Shupert & Co., Inc.

D. E. Gillespie, Los Angeles, Ca.
Chief Executive Officer
Glaser Brothers

N. B. Ivory, Montreal
President
Pembroke Management Ltd.

B. B. Lockwood, Toronto
Partner
Blake, Cassels & Graydon

A. Marcil, Montreal
President
Marcil Mortgage Corp.

W. A. McKenzie, London, Ont.
President
Admac Holdings Ltd.

S. R. Rudd, Toronto
President
HCR Adviser Ltd.

R. A. Scoon, Toronto
President
Toromont Industries Ltd.

R. A. Sinclair, Columbus, Ga.
Consultant

S. J. Sinclair, Toronto
Chairman of the Board
and Chief Executive Officer
Toromont Industries Ltd.

N. G. Van Nest, Toronto
Consultant

Officers of the Company

S. J. Sinclair
Chairman of the Board
and Chief Executive Officer

R. A. Scoon
President

W. A. Smith
Vice-President, Finance
and Secretary

Officers of Subsidiaries

P. V. Burke
President
Clare Brothers Limited
223 King Street West
Cambridge, Ont.

F. Kruberg
President
Lewis Refrigeration Co.
P. O. Box 167
Woodinville, Wa. 98072

C. D. Lloyd
President
Lloyd-Truax Limited
Wingham, Ontario

N. J. Lucas
President
CIMCO Limited
Allen Tank Limited
Happy Air Exchangers
(Canada) Ltd.
65 Villiers Street
Toronto, Ontario

J. D. Ortt
President
Viking Pump Company of
Canada, Limited
P. O. Box 398
Windsor, Ontario

J. Papakyriakou
President
El-Met-Parts Division of
Toromont Industries Ltd.
47 Head Street
Dundas, Ontario

J. A. Simpson
President
F. B. McFarren Limited
Box 299
Streetsville, Ontario

Head Office

65 Villiers Street
Toronto, Ontario
M5A 3S1

General Counsel

Blake, Cassels & Graydon
Toronto, Ontario
Miller, Anderson, Nash
Yerke & Wiener
Portland, Oregon

Auditors

Touche Ross & Co.
Chartered Accountants

Transfer Agent and Registrar

Crown Trust Co.
Toronto and Montreal

Common Shares

Listed on the Toronto
Stock Exchange and
Montreal Stock Exchange

Bankers

The Toronto-Dominion Bank
The Mercantile Bank of
Canada

Fiscal Agent

McLeod Young Weir &
Company Limited

